



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

THE CO-OPERATIVE MOVEMENT IN NEBRASKA

“Cut out the middleman.” Thus runs the slogan adopted by a conference of representatives of farm and labor organizations held in Chicago a few weeks ago. Perhaps no one of the many suggestions for reducing the high cost of living is more popular or more prevalent at the present moment than this one which recommends the elimination of the middleman. The American Farm Bureau Federation, a national organization with executive committee members from Massachusetts to California, charges that the high prices paid by the consumer are altogether disproportionate to the prices received by the producer and that the middleman is the guilty party. Believing that it is hopeless to wait for governmental relief from “the merciless exploitation to which they are now subjected by the profiteers,” the Plumb Plan League called an all-American farmer and labor co-operative commission to meet in Chicago February 12, 1920. At this meeting several hundred delegates from farmer organizations and various branches of the American Federation of Labor sought to institute a plan for direct dealing between farm producers and city consumers. The United States Council of National Defense, composed of the Secretaries of War, Navy, Interior, Agriculture, Commerce, and Labor, having made a careful investigation of the high-cost-of-living problem, recently reported to the public its findings and the remedies needed. The idea of co-operation is conspicuous in all of the proposals.

The economics of many current suggestions to “cut out the middleman” may be in error, but their psychological potency is manifestly great. Indeed, so great is the appeal of this slogan that many people seem willing to risk even a fundamental change in our economic system if such a change holds out any hope that the present stress may be relieved. No thinking person believes, of course, that a change of such magnitude as is comprehended in the phrase “the elimination of the middleman” could be effected at a single blow. But both those who believe that this suggestion

is founded upon sound economic theory and those who fear that it is not so founded are watching with intense interest its rapid spread. The most concrete manifestation of the rise and growth of this idea is to be found in the history of the co-operative movement and more particularly in its phenomenal spread during the years of the recent world-war.

The early history of co-operation in Nebraska centers around the Patrons of Husbandry, or the Grange, and the Farmers' Alliance. To be sure, commercial co-operation, in the sense in which the term is now employed, was rather incidental than fundamental to these early farmers' movements in Nebraska. However, many truly co-operative enterprises were begun, and some of them have survived the great movements of which they were but a part. Outside of the Grange, the Farmers' Alliance, and the Knights of Labor, too, many co-operative and partially co-operative enterprises were started. The term "co-operative" was also employed by many associations in which individuals joined hands and funds on the usual corporate basis with a view to mutual protection and profit. The history of most of these associations shows that in the various groups the stock became gradually concentrated in the hands of a few members until they lost such semblance of truly co-operative companies as they might have had and were withdrawn one by one from the ranks of the independents.

Mr. C. Vincent, manager of the Farmers' Grain Company of Omaha, pioneer member of the Omaha Grain Exchange, and formerly editor of the *Central Farmer*, states that "the first farmers' organization in Nebraska to embody the co-operative principles in its by-laws was located at Pleasanton in the fall of 1904." The by-laws of this company set a maximum of 8 per cent for dividends on stock and provided for the distribution of all other net earnings on the basis of patronage. Since 1904 the number of genuinely co-operative enterprises has grown rapidly and at an accelerating pace. The great majority of early companies were elevator or grain companies. But there were also many farmers' telephone companies and many stock-shipping associations. Co-operative mercantile establishments are of more recent growth

in Nebraska and are, in fact, having their great day just now. Many of the original grain and elevator companies gradually added lumber, coal, feed, implements, hardware, and merchandise, until today they are general supply stations for all the farmer's needs. A few have combined with this a mill, a creamery, or a general produce market. Many have added live-stock-shipping associations. The earlier companies were incorporated for a single purpose, usually for buying and selling grain, but nearly all of them have expanded beyond the original purpose. The tendency in more recently organized companies seems to be toward making the articles of incorporation more general and more inclusive, many of them taking in the whole field of "legitimate business."

What, then, is the status of co-operation in Nebraska today? According to Mr. L. S. Herron, editor of the *Nebraska Union Farmer*, there are at present 150 genuinely co-operative elevators in Nebraska which have been organized through Farmers' Union activity. He specifically states that "this does not comprise all of the truly co-operative elevators in the state—for a good many have been formed outside of the Farmers' Union movement." Between June 15 and September 15 last year the Farmers' Union organized forty elevators. Professor H. C. Filley of the rural economics department of the University of Nebraska places the present total of truly co-operative elevators in the state at 400. The 1918 Convention Book of the Nebraska Farmers' Co-operative Grain and Live Stock State Association lists the titles and officers of 418 companies. Numerous others are in process of organization. Professor Filley and officers of the Farmers' Union declare that they find it very difficult to respond to all the requests which come to them for assistance in organizing new companies. On the other hand, some local associations disband and go out of business without the knowledge of the central office. It is impossible, therefore, to state with the assurance of accuracy the exact number of co-operative grain companies in existence in Nebraska at the present moment. Professor Filley's estimate of 400 is without doubt very nearly correct.

Co-operative live-stock-shipping associations are second in number only to co-operative elevators and grain companies.

Mr. Herron states that there are about 170 Farmers' Union companies that ship live stock and that about one-fourth of these are organized for this single and specific purpose. The rest are elevator companies which also ship stock. Estimates vary on the number of Nebraska co-operative stores having distinct organization. Mr. Herron estimates that there are about 75 among the members of the Farmers' Union, Professor Filley that there are about 100 in all. According to the latest reports, 328 companies are buying some merchandise from the Farmers' Union State Exchange of Omaha, but many of these handle merchandise only as a side line. Members of the Nebraska Farmers' Union have established two large mills, one at Scribner and one at Snyder. Many elevator companies have installed "midget" mills. Two co-operative creameries are operated by Farmers' Union members, one at Fremont and one at Superior, and two more are in the process of organization at Beatrice and at Superior. At Scottsbluff there is a Farmers' Union Transfer and Storage Company capitalized at \$100,000. At Gordon there is a Farmers' Union Potato Growers' Co-operative Association capitalized at \$200,000.

A form of co-operative endeavor which has proved especially successful in Nebraska is mutual insurance. The *Nebraska Insurance Report* for 1918 shows that, during 1917, 73 farm and village mutual assessment fire and tornado insurance companies within Nebraska wrote risks aggregating \$76,604,131 and that on January 1, 1918, these companies had in force policies totaling \$402,803,078. In addition to these the report lists 15 mutual fire, tornado, and hail insurance companies which wrote in Nebraska, in 1917, \$32,321,507 in policies and had in force in Nebraska on January 1, 1918, insurance totaling \$71,258,003. Among the Nebraska companies the Farmers' Mutual Insurance Company of Nebraska is by far the largest. It claims also to be "the oldest, strongest, cheapest, and best purely farmers' mutual insurance company in Nebraska." It began business in 1891 with no capital stock and no dividends. It now has 35,000 members who elect the governing body of nine directors. When first organized, the company's rates on a combined farm policy were \$40.00 per \$1,000, then very reasonable. Since that time the rate has been gradually

decreased until at present the cost of such a combined policy is \$12.50 per \$1,000. Since its organization this company has paid out nearly \$2,000,000 in losses, saved its members over \$1,000,000 in premiums, according to current rates, and had on hand January 1, 1919, a surplus of \$368,475. During the preceding year policies were written for \$35,999,227 and on January 1, 1919, insurance in force totaled \$213,956,783.

Besides the co-operative associations which own and operate elevators, stores, telephone lines, mills, or creameries, there are numerous organizations which do not give any such tangible evidence of their existence. Some of these are organized as sellers' associations, some as buyers' associations, and many as both producers and consumers. In these groups there is usually a secretary or manager who assists the members in combining their shipments of produce and their orders for goods into carload lots and in the disposing and distributing of the produce and the goods after shipment. Among these are at least two co-operative fruit-growers' associations, one at Omaha and one at Nebraska city. There are several co-operative cow-testing associations, and a number of cream-shipping associations.

There are also a few miscellaneous and unique instances of co-operation in Nebraska which can hardly be classified in any of the aforementioned groups. The Ben Hur Lodge of Omaha is reported to be conducting a co-operative store. During the waiters' strike in Omaha in September, 1919, the strikers opened a co-operative restaurant at 1415 Harney Street. Farmers near Champion, Nebraska, have filed with the Railway Commission an application for approval of a stock and bond issue wherewith to build a railroad from Benkelman, in Dundy County, to Champion, in Case County, a distance of 34.6 miles, including sidetracks. They have already organized as the Champion Valley Railroad Company, have had preliminary surveys and cost estimates made, and paid \$10,000 for preliminary expenses. They claim that the present cost of getting their grain and produce to market will be materially reduced. Beet farmers near Scottsbluff, in the far western part of the state, are at present raising money for a co-operative sugar factory. They are of the opinion that this is the

only way in which they can get full and legitimate returns for their product. They further believe that the consumer will profit by this venture, particularly the consumer of Nebraska, who has been paying long-distance freight charges on sugar which has never been shipped. The many co-operative distributing organizations of the state will enable the factory to get its product to the consumer by the most direct and economical route. At their recent meeting in Lincoln, the Nebraska Honey Producers' Association discussed the possibilities of co-operative production and distribution of their product. Nebraska wool growers have pooled their 1920 crop and will put it on the market through one selling agency. The Nebraska Economy Campaign is enlisting the support of numerous organizations of all kinds, and in connection with this "work and save" movement the subject of co-operative buying is much discussed. Some organizations, such as the Lincoln Woman's Club, already have plans under way for buying co-operatively as a means of securing lower prices and of cutting down the cost of living.

A most interesting and unique instance of the utilization of co-operative principles is found in the history of the Consumers' League of Lincoln. A farmer came to the city in the fall of 1918 with a carload of potatoes and was offered fifty-four cents a bushel. Knowing that potatoes were selling at sixty cents a peck retail, he was unwilling to accept the offer and complained to the local food commissioner. He was told by the commissioner that if he would put his car at a certain point the potatoes would be sold for him at one dollar a bushel. Railroad men refused to "spot" the car but finally did so under orders from the food commissioner. The potatoes were sold without difficulty. A number of men who were interested in this venture organized as the Consumers' League and each deposited a one-hundred-dollar Liberty Bond to make up a security fund. This fund was never touched and not a dollar was ever borrowed. During the winter 16 cars of potatoes, 2 cars of apples, and 1 car of turnips were sold at cost. The Consumers' League disbanded in the spring of 1919. Similar car-lot shipments have since been received and distributed at the local freight yards by other organizations.

The Farmers' Educational and Co-operative Union, although it includes by no means all of the co-operative enterprises in Nebraska, is by far the biggest factor in the movement at present. From its humble beginning in a country schoolhouse in Rains County, Texas, in 1902, the Farmers' Union idea has spread over a large part of the United States. A local requires 15 or more members. Five or more locals may form a county union. When there are 5,000 members within a state, a charter may be secured for a state union. The national organization, the Farmers' Educational and Co-operative Union of America, comprises at present 26 state unions, which are represented in the national convention on a basis of one delegate for each 5,000 members.

The first union to be formed in Nebraska was Liberty Local No. 1 in Antelope County in 1911. In December, 1913, the state organization was completed in a convention held at Fremont. Since that time the growth in membership has been remarkably rapid, averaging about 5,000 a year until at present Nebraska has first rank among the state unions, with a membership of about 45,000 in about 1,500 locals. This, it is said, represents nearly the same number of families.

The Preamble to the constitution of the Nebraska union states that it was organized "in order to obtain a better and more direct market for all products of the farm, and to eliminate unnecessary expense in buying our supplies. . . ."

Article ii of the constitution sets forth the purposes as follows:

To secure equity, establish justice, and apply the Golden Rule.

To discourage the credit and mortgage system.

To buy and sell, and assist our fellow-members in buying and selling.

To educate the agricultural classes in scientific farming.

To teach the farmer the classification of crops, domestic economy, and the process of marketing.

To systematize methods of production and distribution.

To eliminate gambling in farm products by boards of trade and other speculators.

To bring farming up to the standard of other industries and business enterprises.

To secure and maintain uniform prices for grain, live stock, and other products of the farm.

Article v places limitations upon membership:

Section 1.—Any person above sixteen years of age, of industrious habits and of good moral character, who is a farmer, or a retired farmer, country mechanic, rural school teacher, physician, minister of the Gospel, or an employee of the Farmers' Union Co-operative Association may become a member of the Union. Persons engaging in banking, merchandising, practicing law or belonging to any trust or combine, or commercial club, engaged in any kind of speculation, shall not be eligible to membership in the Union. Provided, that ownership of bank stock, or holding the office of director, shall not be construed to mean banking.

The Farmers' Educational and Co-operative State Union of Nebraska comprises a state exchange, a live stock commission company, a co-operative insurance company, and publishes an official organ, *The Nebraska Union Farmer*. A central grain association is being planned. The general management of all these activities is vested in a board of seven directors elected by members from seven districts in the state. The Farmers' Union State Exchange, located in a six-story building in Omaha, is rapidly shifting from a retail to a wholesale basis. Although still selling at retail to those members who cannot be supplied in local Farmers' Union stores, the central association is expecting to become a purely wholesale institution in the near future. Besides carrying a general stock of dry goods, groceries, implements, hardware, automobile supplies, and furniture, the exchange has special departments which handle coal, salt, feed and hay, and produce.

In a letter to the writer, Frank Myers, manager of the Farmers' Union State Exchange, says, "It is our intention to have a Farmers' Union member at one end of every transaction. If we buy products of his farm, we sell on the open market to the highest bidder and we buy his supplies from whatever source quality can be secured and either ship them to him direct or through some one of our many co-operative associations throughout the state, we having at this time about three hundred and fifty associations in as many Nebraska towns. Business amounts to about three million dollars annually." The Farmers' Union Live Stock Commission Company markets the farmer's live stock and supplies him with stockers and feeders. Although denied a seat on the Live

Stock Exchange at South Omaha, this company is doing a business of \$9,000,000 annually and ranks during different months from fifth to second among the 52 commission companies doing business at South Omaha. Two branches of this company are also proving successful, one at St. Joseph, Missouri, and one at Sioux City, Iowa. The Farmers' Union Co-operative Insurance Company insures buildings and personal property of Farmers' Union members. Its activity is mainly in western Nebraska, where mutual insurance has not been so highly developed as in the eastern part of the state. This company now has in force something over three million dollars' worth of insurance.

Before me is a statement of the condition of the Farmers' Co-operative Union of Oakland, Nebraska, for the year ending December 31, 1918. This particular local was organized in March, 1915, in a town of about 1,200 population. It now has a membership of 275 and a capital stock of \$75,000. The report shows that, during 1918, 400 cars of produce and material were handled, business aggregating nearly \$691,000 was transacted, and net gains of \$8,833 were realized. From these gains 7 per cent was put into the surplus fund, and the remainder was prorated to members of the union on the basis of their business for the year. This typical report serves to give some idea of the nature and extent of the business conducted by Farmers' Union locals throughout the state.

The present position of security, influence, and favor held by the co-operative associations of Nebraska has not been attained without a severe struggle against many obstacles. Poverty, irregularity, and lack of thrift have hindered the growth of co-operation in some quarters. On the other hand, a high degree of prosperity, with its resulting fastidiousness and luxuriousness, has not been conducive to the growth of this movement. The greatest response seems to have come from those in medium circumstances. Skeptics have been many, and indifferents many more. Our highly developed individualism provides no such soil as the co-operative idea found in Europe. And many who have become interested have been so eager for immediate gain as to prove hindrances rather than helps to the co-operative movement

as a whole. For here, as elsewhere, success implies a long-time view and a willingness to wait for results, as opposed to a desire only for gains in the present moment.

But not all of the obstacles encountered were subjective and inherent in frail human nature. Practically every co-operative enterprise has entered a field of activity already occupied. Private owners and corporate companies have not encouraged the formation of co-operative societies nor given them much sympathy or aid during their periods of struggle. All of the means of competitive pressure have been brought to bear and many times the outcome has been fatal to the co-operators. Disgruntled merchants have influenced wholesalers to discriminate against co-operative stores and railroads have been charged with giving them far from impartial service. As recently as 1915 a serious obstacle to the growth of co-operation was met in the form of a railroad tariff which became effective on most Nebraska roads on October 25. This tariff established such limits on time for unloading, such charges for detention of cars, and such other provisions as to prohibit the use of cars and right of way for selling purposes. Although of general and equal applicability, the rule operated in effect as a discrimination in favor of merchants who sold at stores and delivered from the car, against those groups of buyers who had no regular established places of business. This rule provoked numerous complaints from groups which had been buying and selling directly in carload lots, for this practice of direct marketing had found great favor in many communities. The Nebraska State Railway Commission secured for the complainants an exemption of intrastate shipments from the operation of the tariff rule. In August, 1916, the Nebraska Farmers' Union and others filed a complaint praying that the exemption be extended to include interstate shipments. The Interstate Commerce Commission handed down on June 21, 1917, a decision which included this important statement: "Discrimination in according or withholding a car-peddling privilege is condemned and a distinction is made between car peddling and consolidated shipments to agents of granges and other farmer organizations." Peddling has been further defined to mean selling from the car. Thus the co-

operators who merely call at the car for goods previously ordered are not guilty of any violation of law and must be given this privilege by the railroads.

The most open and extended war of competition in Nebraska was that between the early farmers' grain companies and the Nebraska Grain Dealers' Association. Although the war had begun several years before, it was in the annual meeting of 1909 that the Grain Dealers' Association took special cognizance of the co-operative competition. The secretary said among other things: "The spirit of co-operation seems to be in the air. It might be likened unto a germ, that has produced an epidemic, which in spots is sweeping the country and which would appear to be directed particularly against the elevator interests, not only in your own state, but in all the grain-producing states, north, south, east, and west." Both sides secured press facilities and aired their grievances freely. The farmers accused the grain dealers of making exorbitant charges and unreasonable profits. They claimed that in seeking to build elevators of their own they were denied sites on railroad rights of way. As conditions grew worse, there were charges of the theft of cars and reports of other conduct better left buried in the past.

Soon the co-operators found themselves shut out from the terminal markets by the refusal of the commission men to handle their grain. After a long fight they were able to secure representation on the Grain Exchange. Because they returned earnings to shippers they were accused of giving rebates and of violations of law. This long war was probably terminated by the 1919 legislature when it passed House Bill No. 345, which is incorporated into the statutes as chapter ccxxxiii, *Public Markets*. This law first defines as a public market every organization in the state which maintains a regular place of business in which members sell or exchange grain or other farm products. It then declares that every such market shall be open to all with equal rights and privileges, makes special mention of co-operative associations organized under the laws of Nebraska, and guarantees to these associations the right to distribute their profits to stockholders and members according to the constitution and by-laws under which

they are operating. The law further provides that any trading organization which fails to respect this right or otherwise violates the provisions of this act shall be declared a monopoly in restraint of trade and shall be punished accordingly. An effort to write the essential provisions of this law into the new Nebraska constitution met with opposition. Representatives of the grain exchange hold that if the farmers' organizations wish to distribute profits in their own special manner they should form their own exchange, as a mixture of exchange methods will inevitably wreck the institution.

Without doubt one of the severest obstacles to co-operation in Nebraska has been the classification of co-operative enterprises as corporations and their subjection to the constitutional provision on this point. Article xib, section 5, of the Nebraska constitution says:

The Legislature shall provide by law that in all elections for directors or managers of incorporated companies, every stockholder shall (have) the right to vote in person or proxy, for the number of shares of stock owned by him, for as many persons as there are directors or managers to be elected, or to cumulate said shares and give one candidate as many votes as the number of directors multiplied by the number of his shares of stock, shall equal, or to distribute them upon the same principle among as many candidates as he shall think fit, and such directors or managers shall not be elected in any other manner.

This article seems to be an open recognition of the principle set forth by William W. Cook who says: "At common law, in public or municipal corporations, each qualified elector has one vote, and only one. This was a natural rule, since each duly qualified citizen voted as a citizen and not as a holder of stock. But the same rule should not apply to private corporations. Stockholders are interested, not equally, but in proportion to the number of shares held by them. Naturally and reasonably each share should be entitled to one vote."¹ And again, "Generally the charter or statutes prescribe that each share of stock shall be entitled to one vote. And a statutory or charter provision to this effect applies not only to elections but also to all other questions

¹William W. Cook, *A Treatise on the Law of Corporations Having a Capital Stock*, sixth edition (1918), Vol. II, chap. xxxvii, sec. 609.

that may come before the stockholders' meetings."¹ Cook then cites a Pennsylvania case in which "two-thirds of the stockholders" was interpreted as meaning two-thirds of the stock. He adds, "It has been held, however, that at common law each stockholder had but one vote, irrespective of the number of shares held by him. Where the statutes are silent on the subject, a by-law may give to each shareholder one vote for each share up to ten, and may fix the proportion of votes which he may cast in excess of that number."²

Obviously, as long as co-operative companies are classified as corporations subject to the terms of article *xib*, they are unable to enforce the rule of "one man, one vote" which since the first formulation of principles by the Rochdale Pioneers has been considered vital to true co-operation. However, since these companies have been left to determine their own conditions of membership and to limit the holding of shares, they have had a means of evading what would otherwise have been a much more serious limitation upon their activity. Then, too, there has been nothing to hinder the members of these companies from abridging their own constitutional right to cast one vote for each share of stock held, and many have adopted the "one man, one vote" rule by mutual consent, trusting to a continuance of common interests and amicable relations to keep them out of the courts where this rule has had no standing.

Meanwhile there have been many arguments for an amendment which would make unnecessary these uncertain and unsatisfactory evasions. Professor H. C. Filley, who has made a most thorough-going study of the co-operative movement, says, "A constitutional amendment is necessary to guarantee to members of co-operative organizations full security in their voting rights." North Dakota in 1918, by a vote of 49,000 for to 32,000 against, added an amendment to its constitution which specifically covers this point. Article *xxiii*, section 135, of the North Dakota constitution says, "In all elections for directors or managers of a corporation, each member or shareholder may cast the whole number of his votes for one candidate or distribute them upon two or more candidates, as he may prefer; provided any co-operative corporation may adopt

¹ *Ibid.*

² *Ibid.*

by-laws limiting the voting power of its stockholders." This amendment gives constitutional validity to a practice which has heretofore been carried on in some instances as an implied right. In Idaho, on the other hand, an amendment which would exempt co-operative companies from the rules of voting prescribed for corporations was defeated in 1917 by a vote of 12,000 for to 28,000 against.

Legislative enactment concerning co-operation in Nebraska has necessarily been limited by article xib of the constitution. Chapter xiv, article xv of the revised statutes of Nebraska, 1913, deals with co-operative companies. This law defines and classifies co-operative companies as corporations but recognizes at least one co-operative principle, namely, the distribution of earnings on the basis of patronage instead of stock ownership. It provides that "any number of persons, not less than twenty-five, may be associated and incorporated for the co-operative transaction of any lawful business."

This old law has not been entirely satisfactory to the rapidly multiplying co-operatives of the state. Although it recognizes one of their fundamental principles, it continues to classify them as corporations and fails to grant them that degree of freedom to which they feel themselves entitled. There has been a growing sentiment for a more open and favorable recognition of their enterprises. Several attempts have been made to secure such recognition. In the session of 1915 a bill permitting co-operative companies to grant a patronage dividend to all patrons, regardless of membership, passed the House by a nearly unanimous vote but was killed in the Senate.

In opening the thirty-seventh session of the Nebraska legislature in the spring of 1919 Governor McKelvie spoke on this subject as follows:

A more economical and efficient system for the distribution of agricultural products is highly important. The solution of this problem seems to be offered in a more complete co-operation among producers. Great strides have already been made in this direction and the movement should be encouraged by the removal of all barriers so that it may be carried to the terminal markets and to the live-stock and grain exchanges where co-operative effort may have an even advantage with all other forms of distribution. The organization of

co-operative societies should be aided and encouraged through the division of farm markets and marketing in the state Department of Agriculture, and the principle of one vote for each stockholder, as well as the distribution of benefits upon a basis of patronage, should be encouraged.

Senate Bill No. 128, introduced by Mr. C. Petrus Peterson, was finally passed by both houses and incorporated into the 1919 laws as chapter cxcvii: "An act relating to the organization and management of co-operative associations." Section 1 of this act defines co-operative companies in such a way as to recognize one of the fundamental principles of Rochdale co-operation, namely, the distribution of profits on the basis of patronage instead of on the basis of capital invested. Section 8 recognizes this principle again by providing specifically that "all surplus earnings shall be divided among and distributed to the membership on a basis of the patronage of the member with the association *and not otherwise.*" Section 2 removes co-operative companies from the class of corporations and thus from the constitutional limitations imposed upon them and classifies them as "limited partnerships," a form of organization not mentioned in the constitution. Section 6 recognizes another most vital principle of true co-operation in granting to each member equal voice in the selection of the board of managers. In his chapter already referred to, Cook says, "And a statutory or charter provision to this effect applies not only to elections but also to all other questions that may come before the stockholders' meetings."

What then does the present status of co-operation in Nebraska leave to be desired? Have not co-operators in this act all the guaranties necessary to insure their continued security and success? In so far as statutory enactment is a guaranty, it would seem that the genuinely vital principles desired and adhered to by co-operators have here been recognized and guaranteed. There are, of course, a number of secondary objections raised by co-operators which have not been met by this law. In section 1 and again in section 8 it is provided that net profits shall be distributed "to the membership" on a patronage basis. While accepting joyfully the patronage basis of distribution, many co-operators object to this limitation "to the membership," holding that a distribution

of dividends to all patrons is one of the main methods of recruiting members for the organization. People who cannot otherwise be induced to join can be added to the membership by a process of accumulating dividends until the total equals a share of stock or the individual is willing to pay the difference to gain the additional advantages of membership. The greatest of these advantages is perhaps the fact that dividends to members are usually twice as large as those to non-members. In practice this process of accumulating dividends for customers is sometimes carried on by the company regardless of its legality. No dividend is paid to the non-member until he is issued a share of stock and then, of course, he is no longer a non-member. Thus the terminology of the law may be evaded. A number of state laws make such evasion unnecessary by silence on this point, some by stating that this is to be arranged in the by-laws, and some by stating that non-members shall or may receive dividends, a few specifying that this shall be at one-half the rate paid to members. Iowa limits patronage dividends to members and employees, South Dakota to shareholders. Minnesota, North Dakota, Kansas, and Colorado leave this matter to be settled in by-laws.

Again, in placing the minimum number of persons who may organize a co-operative association at 25, the Nebraska law sets the highest minimum found in any of the states. Indiana is the only other state placing the minimum as high as 25. Provisions in other states range from 3 to 20, with 5 as the most common number, this being the number in nearly two-thirds of the states having co-operative laws. Three state laws on co-operation make no mention of a minimum number. Kansas with a minimum of 20 is the only state outside of Indiana and Nebraska requiring more than 10. Colorado sets a minimum of 10 and South Dakota of 5. Minnesota and North Dakota specify no minimum number.

In making co-operative companies subject to the "blue sky" law, the Nebraska statute has, it is claimed, placed them under a handicap. Until 1919 this law required that "the par value of all stocks sold or offered for sale must be one hundred dollars." Many co-operative companies have been forced to begin with very meager capital and this provision has left the stock of these com-

panies in a few hands instead of distributing it widely according to co-operative principles. This objection would seem to be entirely removed by the fact that the Blue Sky Law of 1919 contains no reference whatever to the size of shares. Only a very few of the state laws on co-operation include such limitation. Illinois places a minimum of \$5 and a maximum of \$100 on shares, Montana \$10 and \$5,000.

Many of the laws make illegal the use of the word "co-operative" unless the act in question has been complied with, make special provision for organizations prior to the law, and establish procedure for the dissolution of co-operative companies. Colorado, Michigan, and Washington each has two distinct laws, one for non-stock and one for capital-stock organizations.

In the foregoing respects the Nebraska co-operative law is or has been less liberal than the co-operative laws of some other states. In its provisions concerning powers of holding and transferring real estate, suing and being sued, the making of by-laws, the determination of conditions of membership, and the limiting of the liability of members, the Nebraska law is not very different from the other state laws on the subject. In providing for a minimum of 5 managers or directors the Nebraska law is identical with the laws of Iowa, Minnesota, Kansas, South Dakota, and North Dakota. And in certain respects the new Nebraska law is relatively liberal. Its definition of co-operative organizations as those "organized by producers or consumers or jointly by producers and consumers for the purpose of collective bargaining, marketing, or purchasing, or other co-operative business activity" is quite inclusive and comprehensive. The Iowa law permits any agricultural, dairy, mercantile, manufacturing, or mechanical business. The Kansas and South Dakota laws include also mining. The Minnesota law includes mercantile, manufacturing, and agricultural enterprises, to which North Dakota adds industrial. Colorado allows co-operators to engage in any lawful business.

In outlining the contents of the articles of incorporation the new Nebraska law aims to secure greater uniformity in these articles and to insure the inclusion of the vital facts in every case. The more specific requirement in this instance will probably work

to the advantage, not only of the state department, which must construe these articles, but also to the associations themselves. In providing for voting by proxy the Nebraska law is again relatively liberal. The Colorado law permits no proxy voting but says that voting by mail may be provided for in by-laws. The Iowa, South Dakota, and North Dakota laws provide for voting by mail and are silent on the subject of proxies. The Minnesota law of 1919 permits voting by mail but specifically denies the right of voting by proxy. The Kansas law is silent on both of these points. Some limitations imposed by other states are not found in the Nebraska law. Iowa, Minnesota, South Dakota, and North Dakota all place a maximum of \$1,000 on stock owned by an individual in a co-operative company. Kansas places the maximum at 10 per cent of capital stock and Oregon at 20 per cent. Colorado leaves the limitation to be fixed in by-laws. Minnesota sets a limit on capital of \$100,000 and Connecticut of \$50,000. It may be said, then, that the 1919 Nebraska law on co-operation compares well with the laws of other states in its major and fundamental provisions.

But is the new 1919 law *the* Nebraska law on co-operation? The old law of the 1913 statutes is still in effect, as amended by chapter lvii of the 1919 laws. The amendments made are minor in character. The definition of co-operation remains identical. Thus, according to the old law, co-operative companies are still corporations and still subject to article xib of the constitution. According to the new law of 1919 co-operators are not corporations but limited partnerships. Here, indeed, is a lawyer's tangle. A limited partnership, says Bouvier, is "a form of partnership created by statute in many states, wherein the liability of certain special partners, who contribute a specific amount of capital, is limited to the amount so contributed, while the general partners are jointly and severally responsible as in ordinary partnership." It will be noted that in section 4 and also in section 9 of the new law the liability of the individual member is limited to the amount of actual capital furnished by him. Limited partnership seems to be a rather new idea in Nebraska and little or nothing can be found on the subject as it applies here.

The object of this reclassification of co-operative companies seems to have been the defeat of a threatened movement to revoke the charters of co-operative companies in the state because, while classed as corporations, they were not keeping within the legal limits prescribed for corporations. Practically all of the co-operative companies of the state have been incorporated under the old law. Have they now automatically become limited partnerships or will they have to dissolve their organizations and begin life anew? It is the opinion of at least some lawyers that, in order to come under the provisions of the new law, each co-operative company will be compelled to end its corporate existence and file new articles of association. It will be noted also that the new law was approved April 3, 1919, whereas the amendments to the old law were approved April 11, 1919, eight days later. What effect would this discrepancy in dates have upon the court? No case has yet brought this peculiar situation to light. Have we two laws of co-operation, or one, or none? It would be presumptuous for one not deeply versed in legal lore even to hazard a guess.

What, then, are the prospects for the co-operative movement in Nebraska? A survey of the history of the movement and of its present status and rate of growth leads one naturally and logically to the conclusion that here is a mighty factor to be reckoned with in the future of the state and of the nation. The membership of grain and elevator companies will probably not continue to increase by such leaps and bounds as during the past few years, for the most populous part of the state is now pretty well organized. But the relative importance of these associations in marketing grain is likely to increase rapidly in the future. They now have a seat on the Grain Exchange at Omaha. Once represented in the terminal markets, who can predict the possible influence which they may have there? Consider also the possibilities ahead in other lines of co-operative production and marketing. Where there are now a few scattered co-operative mills and creameries, there may be thousands. Co-operative motor truck routes are already being suggested. As for consumers' co-operation, surely it is in its earliest infancy in this state as compared with the possibilities that lie before it. And there are doubtless many

other fields in which co-operative principles can be successfully applied. Governor McKelvie suggested one of these in his latest annual message when he said:

There is need for cheaper money for the non-land-owning farmer who is industrious and honest, and whose security for loans is confined to chattels. In foreign lands and in some states in our own country, laws have been enacted which provide for the organization of co-operative credit societies. These societies enable communities or small groups of farmers to join their elements of credit for the benefit of those who need it. Thus is the honest, industrious farmer of small means given the advantage of larger credit and lower-priced money. I recommend such legislation for Nebraska.

Carrying out the governor's recommendation, the legislature passed an act dealing with co-operative credit associations, which was incorporated into the 1919 laws of Nebraska as chapter cxcviii. This act includes the same general provisions as chapter cxcvii on co-operative associations, together with certain additions and modifications. Fifteen persons may organize a co-operative credit association by duly filing articles of incorporation containing certain specified data. Credit associations are granted the usual corporate powers and are specifically authorized to borrow money, make loans, charge fees, impose fines, expel members, and "to exercise such incidental powers as shall be necessary for the conduct of business." All loans of more than fifty dollars must be secured. "No officer, director, or committee member shall be permitted to borrow from the association, except with the approval of a majority of the members present at a meeting, not less than a quorum attending, the notice of which meeting shall have stated that such loans or suretyship were to be considered."

Every association is required to provide a guaranty fund. Dividends are not to exceed the interest rate charged on the major part of the money loaned during the year. Members are liable for twice the amount of their stock. Directors and committees are charged with certain specific duties. An annual report must be made to the state banking board upon a form provided for this purpose and free access to the books of the association must be granted this board at all times.

It should be noted in this connection that the various bureaus of the United States Department of Agriculture, the state depart-

ments of agriculture, agricultural colleges, and experiment stations are all giving aid in the formation of new and the strengthening of old co-operative associations. In the face of these facts there can be little question as to the continuance and growth of co-operative credit and of the co-operative movement as a whole.

The co-operators do not confine their interests to commercial gain. "Saving money," says one of them, "is but an incident of co-operation. Its main purpose is to give better access to the necessities of life and to satisfy the larger intellectual and social needs." Again, "It is the aim of co-operation to render all the good things in life accessible to all." From the very first the co-operators have had before them this larger ideal. The Rochdale weavers set aside $2\frac{1}{2}$ per cent of their earnings for educational work; 5 per cent is a common minimum in present-day societies. Certain English associations appropriate as much as \$10,000 annually for educational purposes. The earliest purpose of such a fund was naturally propaganda in favor of the society and the co-operative movement in general. As the need for this decreases, attention is turned to classes and lectures in history, economics, politics, and citizenship, as well as courses of special training for positions of trust in co-operative enterprises. Reading-rooms and libraries are established. Debating and discussion clubs are organized. Co-operative colleges are being spoken of. Social centers are maintained and appropriate recreation is provided for both old and young. In Nebraska, where the co-operative movement is young, the educational and social work has naturally not been developed to a very high degree. Co-operators are, however, proving themselves influential in the establishment of consolidated rural schools and are in many cases using these as social centers. Everywhere the attempt is made to inculcate the ideal of *ours* instead of *mine*, in the belief that a wider sense of possession will lead to a wider sense of responsibility.

Admitting that the future is bright for co-operative associations, some persons fear lest they will come to dominate the economic system entirely. The co-operators are often charged with having designs upon the present distributive system and are sometimes charged with having designs upon the present form of government.

Many co-operators would admit freely the first of these charges but probably none would admit the second. Accusations that they are as a body allied with the Non-Partisan League or with any other political party or movement are vigorously denied by the co-operators themselves. The Nebraska Farmers' Union, the Nebraska Farmers' Co-operative Grain and Live Stock Association, and other farmers' organizations have formulated programs for presentation to the legislature but have not entered into political campaigns. Individual co-operators may be Non-Partisan Leaguers, socialists, or what they will, but as a body they have thus far not organized on a political basis. Will they be guided by the early history of the Patrons of Husbandry and of the Farmers' Alliance in Nebraska or by the more recent and more successful political adventures in certain Canadian provinces? The recently launched Labor Party is extending a special invitation to co-operative and other farmers' organizations to affiliate with the trade unions on a platform of political, social, and industrial democracy. It is too early to predict whether or not this invitation will be accepted. Governor McKelvie does not confuse the co-operatives with any political organization. In a recent speech made in St. Louis he said in part:

In Nebraska we offer relief to farmers in a way which, we believe, is economically correct. . . . Our policy with the Nebraska farmer is one of co-operation, and this is the direct antithesis of state socialism. Our way allows the farmers themselves to control distribution. It gives individual initiative free play and equalizes opportunities for all. We promote the farmers' opportunity to get together, work together, and solve their own problems.

Built upon principles proved sound by time and experience, strong in numbers and spirit, backed by a reasonable constitution and law, the co-operative associations of Nebraska are assured of success.

MAURICE H. WESEEN

UNIVERSITY OF NEBRASKA